

## **Exhibit 1**

Contact name: GERALD MATTHEWS

ITS: 4627X2602

Response required by:

URGENT

**Appraisal Form - New**

To be used where all facilities fall outside Credit Scoring Criteria

Account PALESTINIAN RELIEF &amp; DEVELOPMENT FUND

Main A/C Number 95142940

Domicile Branch FINSBURY PARK

Controlling Office ISLINGTON BUSINESS CENTRE

Relationship Manager: Sequence No 42

Sort Code 600822

Main Business Activity CHARITY FOR RELIEF OF  
PALESTINIANS IN GAZA & WEST  
BANK, ISRAEL

SIC 8530P

Date 11/03/98

**Section 1**

Facilities	Present Position	Existing Limit/Max and Term	Limits/Max and Term Sought/Agreed (UDP)
C/A	163539 Cr.	VDP	-
DOC. CR.	-	-	US\$300,000
CHILDREN A/C	59589 Cr		
INT MONEY	13044 Cr		
ZAKAT FUND	8306 Cr		
ADMIN.	14554 Cr.		
FAMILIES	6011 Cr		
<b>Totals</b>	<b>263043 Cr.</b>		<b>US\$300,000</b>

Other Credit Balances/Deposits (within Group)	Other Liabilities
US\$45717 Cr	nil

Accounts dated	Audited/Management/Draft
Surplus Resources	£356956
Gearing Ratio	-%
Turnover	£1325109
NPB/(Loss) after Drawings	£263111
Retained Cash Flow	£267194

Total OP Security	£nil	None
Written down security value	£nil	
Additional Security to come	US\$300,000	

Suretyship Liabilities	Nominal £	Refinance £
Mandate number & date	NWB1017	23/11/94
M & A Dated (Ltd Co. only)		

**2 Key Issues**

Issues:	Matters outstanding from/ arising since last review
	Synopsis of discussion with customer

- Request for Documentary Letter of Credit FOR US\$4300,000 subject to charge over equivalent US Dollars balance to purchase tinned meat from New Zealand for shipping to Israel to Palestinian refugees.
- MLMA: Top income earner in portfolio.
- Significant credit balances maintained in Sterling and US Dollars on current account. Turnover for 1997 £1.8m of which £1m received in US Dollars mainly from Saudia Arabia, but also some from USA.

**3 Non-Financial Developments**

Non-Financial Information Form up to date?

☒ Yes☐ No

If No, enclose new NFIF

Issues:	Changes to trading activities/marketplace/management etc
---------	--

This is a Muslim charitable trust where interest cannot be earned on balances for religious reasons.

In account at Finsbury Park since the mid-1980's but the original trust was closed last year, the present one set up in 1994. Provides charitable relief to Palestinian areas of Israel i.e. Gaza, and the West Bank. Recently some relief to refugee camps in Lebanon. Relief is usually food or allowances for children's education. Distribution is monitored by local charities and representatives.

Two major times of the year for receipts are Ramadam (in January this year and at Easter time. These bring in half the annual income.

In 1996 the Charity was investigated by the Charities Commission on an allocation of funds used for terrorism, on allegations by a Jewish source, but the Commission found this to be untrue and possibly malicious.

**Appraisal Form - New (continued)****4 Account Operation**

- 4a Excesses seen ☐ Yes ☒ No Escalating trend ☐ Yes ☒ No
- Hardcore present ☐ Yes ☒ No If yes, level £
- 4b Items returned in last 12 months? ☐ Yes ☒ No If yes, date of last item returned unpaid
- 4c No. of items returned in last 12 months N/A

Issues: Does hardcore / account trend indicate losses / fixed assets being purchased from overdraft? If so, is there transfer to loan

- First class account operation with significant balances up to £3,000/£4,000 in total, and US\$200,000/£300,000.
- Behavioural score 1.
- No pressure on the balances.

**5 Trading Performance****5a Financials**

- Have any up to date figures been provided? ☒ Yes ☐ No
- Are these realistically based on your knowledge of the business? ☒ Yes ☐ No
- Do you hold any figures for the two preceding accounting periods? ☒ Yes ☐ No

If yes, compare the two sets of figures, considering any significant change in the following:

- Source of current information: dated 31/12/96 ☒ Annual Accounts ☐ VAT Returns
- ☐ Management Figures
- Source of previous information: dated ☐ Annual Accounts ☐ VAT Returns
- ☐ Management Figures

Turnover	<input checked="" type="checkbox"/> Increased	<input checked="" type="checkbox"/> Decreased	<input checked="" type="checkbox"/> No change	<input type="checkbox"/> Not available
Gross Profit	<input checked="" type="checkbox"/> Increased	<input checked="" type="checkbox"/> Decreased	<input checked="" type="checkbox"/> No change	<input type="checkbox"/> Not available
Net Profit after drawings	<input checked="" type="checkbox"/> Increased	<input checked="" type="checkbox"/> Decreased	<input checked="" type="checkbox"/> No change	<input type="checkbox"/> Not available
Surplus Resources (deficit)	<input checked="" type="checkbox"/> Improved	<input checked="" type="checkbox"/> Worse	<input checked="" type="checkbox"/> No change	<input type="checkbox"/> Not available
Liquidity	<input checked="" type="checkbox"/> Increased	<input checked="" type="checkbox"/> Decreased	<input checked="" type="checkbox"/> No change	<input type="checkbox"/> Not available
Debtor Days	<input checked="" type="checkbox"/> Increased	<input checked="" type="checkbox"/> Decreased	<input checked="" type="checkbox"/> No change	<input type="checkbox"/> Not available
Creditor Days	<input checked="" type="checkbox"/> Increased	<input checked="" type="checkbox"/> Decreased	<input checked="" type="checkbox"/> No change	<input type="checkbox"/> Not available
Stock Days	<input checked="" type="checkbox"/> Increased	<input checked="" type="checkbox"/> Decreased	<input checked="" type="checkbox"/> No change	<input type="checkbox"/> Not available

If any of the above information is 'not available', is it reasonable that earlier figures have not been provided to the Bank?

- ☐ Yes ☐ No

What other information is available?

- ☐ None - New Business ☐ VAT Return Figures only ☐ Other (please specify)

**Appraisal Form - New (continued)****5b Current Figures**

<b>Debtors</b>	- well spread?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
	- considered collectable?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
<b>Creditors</b>	- well spread?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
	- paid up to date?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
	Stock readily saleable?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
	Are <b>profits being retained</b> after drawings?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
	Are <b>profit margins</b> steady or increasing?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
	<b>Sales</b> in excess of <b>break-even</b> with a margin?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
	Cash <b>generated</b> from operating activities?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
	<b>Interest cover</b> greater than 2.5 times?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	

**Issues:** Consider Working Capital, Liquidity, Sales, Profit Margins, Break Even, Cash Generation, Gearing, Interest Cover, accuracy of previous information

- Very cash solvent charity. Overheads well covered and whilst 1996 receipts were 5% up on 1995, 1997 income was up by 50% on 1996, due to doubling of US Dollar receipts.

**6 Proposition**

**Issues:** Details of proposition including customer's contribution. Consider type and terms of facility, availability of funds and proposition. Consider Net Working Asset position in relation to funding and security.

- Request Irrevocable Documentary Letter of Credit for US\$300,000 TO EXPIRE 31 May 1998 (The facility maybe made up to two separate Letters of Credit). Funds will be transferred into a separate US Dollar currency current account in the name of the Bank and a charge obtained over this.
- Funds will continue to be received to provide cashflow particularly over Qurbani (at Eastern). Clause D (VIII) of the trust deed provides power to borrow money and we understand from Legal Services that this is in order.

**Issues:** Consider environmental/policy implications, settlement risk (Action Directory), Settlement Risk

5

**Appraisal Form - New (continued)****7 Repayment and Projections**

Do any of the facilities applied for replace existing commitments? ☐ Yes ☒ No

If yes, how do the new repayments compare? ☐ More ☐ Same ☐ Less

Has customer repaid previous liabilities successfully? ☐ Yes ☐ No ☒ N/A

Is a Capital Repayment Holiday required? ☐ Yes ☒ No

If yes, for how long? N/A Months

**Issues:** Comment on viability of repayment to include source and timing. If projections held, consider again, support performance, assumptions, seasonality, impact of changes in sales/costs etc. on future borrowing/needs.

**Letter of Credit:** Drawings will be paid by us releasing the funds over which a charge will be held. It is anticipated that there will only be one drawing. If there are two letters of credit then separate accounts will probably be opened for each.

**8 Security**

8a Security surplus £ nil Acceptable? ☒ Yes ☐ No ☐ N/A

Security formula being met? ☒ Yes ☐ No ☐ N/A

What is The Security Formula?

8b Make-up of total security figure (use written down values in accordance with AS 982, 984, 994, 1045)

Land & buildings £ ☐ Mortgage Debenture £ ☐ Life policy £

Stocks & Shares £ ☐ Unsupported Guarantee £ ☐ Supported Guarantee £

☒ Other US\$300,000 charge over credit balance ☒

8c Are S/R Specifications/ISS Notes Up-To-Date?

If No, give details:

**Issues:** Overview of security cover. Detail of new security offered or steps to address an unsatisfactory position. Consider retention of title on stock, environmental implications (AS 994), third party security implications (AS 113).

- To come Charge over credit balance for US\$300,000.

5

**Appraisal Form - New (continued)****9 Pricing**

Current Pricing:		Matrix Market Risk Price		Total Price:
Matrix Core Price				
Agreed Pricing:				
Arrangement Fees:	Lending - Scale	£925.93	Agreed	£NIL
	Security - Scale	£ 34.00	Agreed	£NIL

Issues: Adequacy of interest margin/fees in relation to risk management time

**Letter of Credit** fee is 0.5% i.e. sterling equivalent of £925.93. However customer has repeatedly made the point that we do not pay them interest (their choice) although they receive free banking as a result overall there is an activity surplus.

At last transmission review 12 months ago WE038 pricing showed a surplus of £3,000 with credit balances. Since then credit balances have increased (current WE038 are awaited) but MLM value is £15,000. Therefore I am agreeable to refunding the fee.

**10 Risk Assessment (Existing GAPP grade 3) (Previous BSRG grade 1)**

Overall Attitude towards customer - ☐ Pro-active x ☒ Supportive ☐ Cautious ☐ Manage Out

Summarise strengths/weaknesses in terms of:

The business (management, products, markets, financial strength, track record)  
The proposition (amount, purpose, repayment, projections, remuneration, security)

**Positive Features:**

- Cash positive charity with significant value to the Bank.
- Good balances held.
- 1996 accounts received. Continued growth in 1997.

**Negative Features:**

- The Charity services a very volatile area.

**11 Recommendation and Way Forward (Include action plan for U/R and unsatisfactory accounts)**

x Recommended ☐ Agreed ☐ Declined ☐ Overview Required

**Reason for Overview**

Issues: Recommended way forward (and any alternative courses of action considered) to include explanation of attitude towards customer. Explain why you have agreed the borrowing request.

- Recommend that the Documentary Letter of Credit facility is made available subject to a charge over credit balance for full cash cover.
- The account earns higher than average income on the credit balances.

7

**Appraisal Form - New (continued)**

**12 Monitoring/Terms and Conditions**

Issues: Are lending formulae being met/appropriate?

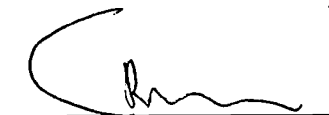
Not applicable.

**13 Sales - Bank Services**

Action Points

- |   |  |   |                   |
|---|--|---|-------------------|
| 1 | Update ISS - EIN/UFA/EMN                           | 4 | Take Fees         |
| 2 | Prepare Advice of Borrowing Terms letter/CCA forms | 5 | Raise diary notes |
| 3 | Mark Limits - ELR/ERR/SPR                          |   |                   |

Signed



Name

GERALD MATTHEWS

Position

BUSINESS  
MANAGER

**14 For Regional/Overview Comments/Counter signature Only:**

Signed

\_\_\_\_\_

Name

\_\_\_\_\_

Position

\_\_\_\_\_